

Message Text

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INFO OCT-01 ISO-00 IO-13 AF-08 ARA-10 EA-09 NEA-10 OIC-02

FEA-01 AID-05 CEA-01 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 USIA-15 OPIC-06 SP-02 TRSE-00 CIEP-02

LAB-04 SIL-01 OMB-01 ERDA-07 DODE-00 FPC-01 H-02

INT-05 L-03 NSC-05 PM-04 SAM-01 OES-06 SS-15 STR-04

ACDA-10 PRS-01 PA-02 AGR-10 AGRE-00 ITC-01 XMB-04

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FM USMISSION OECD PARIS

TO SECSTATE WASH DC PRIORITY 3442

INFO ALL OECD CAPITALS 0440

AMEMBASSY ALGIERS

AMEMBASSY JIDDA

AMEMBASSY BUENOS AIRES

AMEMBASSY BRASILIA

AMEMBASSY YAOUNDE

AMEMBASSY NEW DELHI

AMEMBASSY JAKARTA

USINT BAGHDAD

AMEMBASSY TEHRAN

AMEMBASSY KINGSTON

AMEMBASSY MEXICO CITY

AMEMBASSY LAGOS

AMEMBASSY ISLAMABAD

AMEMBASSY LIMA

AMEMBASSY CAIRO

AMEMBASSY CARACAS

AMEMBASSY BELGRADE

AMEMBASSY LUSAKA

AMEMBASSY KINSHASA

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E.O. 11652: N/A

TAGS: OECD, CIEC, EGEN, ETRD, EFIN, EAID, ENRG

SUBJECT: CIEC DEVELOPMENT COMMISSION G-19 PAPER ON ODA

FOLLOWING IS THE TEXT:

THE COMMISSION ON DEVELOPMENT REAFFIRMING THE
IMPORTANT ROLE OF ODA IN IMPLEMENTING THE INTERNATIONAL
DEVELOPMENT STRATEGY FOR THE SECOND DEVELOPMENT DECADE
FOR MEETING THE CAPITAL REQUIREMENTS OF DEVELOPING
COUNTRIES, AND IN PARTICULAR MSA, THE LEAST DEVELOPED,
ISLAND AND LAND-LOCKED DEVELOPING COUNTRIES,

AGREES THAT:

1. BILATERAL FLOWS.

A) THE TARGET OF 0.7 PER CENT OF GNP FOR ODA
SHOULD BE ATTAINED AS EARLY AS POSSIBLE AND NOT
LATER THAN 1980. TO ACHIEVE THIS END AND TO
ENSURE THAT ODA FLOWS ARE PREDICTABLE, CONTINU-
OUS AND ASSURED, INTER-ALIA:

- DEVELOPED COUNTRIES SHOULD INTRODUCE A
DEVELOPMENT TAX AS A MEANS FOR RAISING THE
REQUIRED FUNDS,

- THE DEVELOPED COUNTRIES SHOULD ESTABLISH
INTEREST SUBSIDY MECHANISMS AS A MEANS OF
MINIMIZING THE BUDGETARY BURDEN OF ACHIEVING
0.7 PER CENT TARGET AND OF GENERATING A LARGE
EXPANSION OF CONCESSIONAL FLOWS IN A SHORT
SPAN OF TIME.

- THE DEVELOPED COUNTRIES SHOULD INCREASE
THEIR AID BUDGETS BY ABOUT 25 PERCENT IN REAL
TERMS EACH YEAR, AT LEAST, UNTIL THEY REACH
THE 0.7 PERCENT TARGET.

- THE DEVELOPED COUNTRIES SHOULD SET ASIDE A

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PERCENTAGE OF THEIR ANNUAL GNP INCREASE TO BE
DEVOTED TO AUGMENT ODA FLOWS.

B) ODA SHOULD BE DISTRIBUTED MORE RATIONALLY AND
EQUITABLY AMONG ALL DEVELOPING COUNTRIES WITH
SPECIAL ATTENTION FOR THE MOST SERIOUSLY
AFFECTED COUNTRIES, THE LEAST DEVELOPED, DEVELOP-
ING LAND-LOCKED AND DEVELOPING ISLAND COUNTRIES,

1) WITHOUT PREJUDICE TO EXISTING BILATERAL OR MULTILATERAL AGREEMENTS BETWEEN DEVELOPING AND DEVELOPED COUNTRIES, AND THE CONTINUITY OF SUCH FINANCIAL FLOWS SHOULD BE ENSURED ON MORE FAVOURABLE CONDITIONS. (1) IT IS UNDERSTOOD THAT COUNTRIES EXPERIENCING SIMILAR GEOGRAPHICAL DIFFICULTIES AND WHICH HAVE BEEN QUALIFIED AS SEMI-LAND-LOCKED WOULD BENEFIT BY THE SAME TREATMENT.)

2. QUALITY OF FLOWS.

THE FOLLOWING CHANGES IN THE CONVENTIONAL CONCEPT OF ODA SHOULD BE ADOPTED:

A) ODA SHOULD BE CALCULATED AS NET OF BOTH AMORTIZATION (WHICH IS ALREADY BEING DONE) AND OF INTEREST PAYMENTS.

B) AT LEAST 90 PERCENT OF ODA SHOULD BE IN THE FORM OF GRANTS OR LOANS ON IDA TERMS.

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FM USMISSION OECD PARIS

TO SECSTATE WASH DC PRIORITY 3443

INFO ALL OECD CAPITALS 0441

AMEMBASSY ALGIERS

AMEMBASSY JIDDA

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C) THE MINIMUM GRANT ELEMENT FOR QUALIFYING FOR
INCLUSION IN ODA SHOULD BE RAISED FROM THE PRESENT
25 PER CENT TO 50 PER CENT.

D) ODA LOANS SHOULD BE UNTIED AND GRANTS SHOULD
BE UNTIED AS FAR AS POSSIBLE.

E) ASSISTANCE TO COUNTRIES/TERRITORIES NOT
REGARDED BY DONOR COUNTRIES THEMSELVES AS SOVEREI-
GN POLITICAL ENTITIES SHOULD NOT BE INCLUDED IN
MEASURING A COUNTRY'S PERFORMANCE IN FULFILLING
ITS ODA TARGET.

F) FINALLY, ODA SHOULD BE GIVEN INCREASINGLY
IN THE FORM OF NON-PROJECT AND PROGRAMME ASSIST-
ANCE, INCLUDING LOCAL CURRENCY FINANCING.

3. MULTILATERAL RESOURCES.

A) THE DONOR COUNTRIES SHOULD UNDERTAKE TO RAISE

THE FIFTH REPLENISHMENT OF IDA TO \$9 BILLION. AN INSTITUTIONAL MECHANISM MAY BE IMMEDIATELY SET UP WITHIN THE EXISTING FRAMEWORK TO INCREASE THE RESOURCES OF IDA BY BORROWING IN THE CAPITAL MARKETS AND/OR INTERESTED COUNTRIES THE DIFFERENTIAL BETWEEN THE BORROWING AND LENDING INTEREST RATES BEING MET THROUGH BUDGETARY APPROPRIATIONS BY PART I MEMBERS OF THE IDA.

B) THE THIRD WINDOW OF THE WORLD BANK SHOULD BE EXPANDED TO THE ORIGINAL TARGET OF \$1 BILLION AND PUT ON A CONTINUING BASIS.

C) ALL MEMBERS OF THE WORLD BANK SHOULD IMMEDIATELY APPROVE A SELECTIVE INCREASE IN ITS CAPITAL WHICH SHOULD BE FOLLOWED, AS SOON AS POSSIBLE, BY A GENERAL INCREASE BOTH BEING IN REAL TERMS. THERE SHOULD BE A PERIODICAL REVIEW OF THE ADEQUACY OF THE CAPITAL BASE OF THE BANK IN RELATION TO THE EVOLVING CAPITAL REQUIREMENTS OF

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DEVELOPING COUNTRIES. SPECIAL ATTENTION SHOULD ALSO BE GIVEN TO INCREASING THE CAPITAL BASE OF REGIONAL DEVELOPMENT BANKS, BEARING IN MIND THE NEED TO ENABLE THEM TO CONTINUE AND EXPAND THEIR CONCESSIONAL LENDING.

D) THE RESOURCES OF THE UNDP AND THE UN SPECIAL FUND SHOULD ALSO BE EXPANDED SUBSTANTIALLY AND URGENTLY, AND THE DEVELOPED COUNTRIES SHOULD CONTRIBUTE TO THE SPECIAL FUND SUBSTANTIALLY TO MAKE IT OPERATIONAL AS EARLY AS POSSIBLE.

E) INTERNATIONAL FINANCIAL INSTITUTIONS SHOULD MAKE THEIR POLICIES MORE FAVOURABLE TO DEVELOP-

ING COUNTRIES BY SUCH MEASURES AS SOFTENING THE
TERMS OF THEIR ASSISTANCE, INCREASING LOCAL
CURRENCY FINANCING, ADJUSTING THE AMOUNT OF THEIR
LOANS FOR THE EFFECT OF INFLATION ON THE COST OR
PROJECTS, ETC.

F) IN VIEW OF THE URGENT NEED OF DEVELOPING
COUNTRIES TO ENLARGE THEIR SHARE IN THE PROCURE-
MENT OF EQUIPMENT, CONSULTANTS AND CONSULTANCY
SERVICES APPROPRIATE MEASURES SHOULD BE ADOPTED
FOR THE PURPOSE.

END TEXT.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PAPERS, TEXT, LESS DEVELOPED COUNTRIES, ECONOMIC ASSISTANCE, LANDLOCKED COUNTRIES, COMMITTEE MEETINGS, DEVELOPMENT PROGRAMS, CAPITAL FLOWS
Control Number: n/a
Copy: SINGLE
Draft Date: 18 SEP 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976OECDP27351
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760353-0819
From: OECD PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760945/aaaabmrm.tel
Line Count: 344
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 7
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: vandyklc
Review Comment: n/a
Review Content Flags:
Review Date: 25 FEB 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <25 FEB 2004 by MaustMC>; APPROVED <24 AUG 2004 by vandyklc>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CIEC DEVELOPMENT COMMISSION G-19 PAPER ON ODA FOLLOWING IS THE TEXT: THE COMMISSION ON DEVELOPMENT REAFFIRMING THE
TAGS: EGEN, ETRD, EFIN, EAID, ENRG, OECD, CIEC, ODA
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006